Regionalizing Digital Commerce: Trends in Southeast Asia

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Abstract— Majority of revenues generated on the Internet comes from digital commerce or electronic commerce. Significant changes happen on the Internet everyday. At the fast pace that the digital commerce is taking, it is important for researchers and managers to understand the incoming trends of digital commerce. Based on secondary data analysis and interviews with users and researchers, this research aims to explore the similarity and common trends of digital commerce in five developing countries in the Southeast Asian region and predict the trends of the digital commerce in the near future. This new trend of similarity of digital commerce is termed in this research as "regionalization". The regionalization of digital commerce can be looked at from several dimensions, including the commercial types, consumer behaviors, applications and technology used, and regulatory issues.

Keywords—Digital commerce, Future of Digital commerce, Southeast Asia

I. INTRODUCTION

AS the digital commerce or electronic commerce is growing rapidly around the world, southeast Asia has become the target market of many companies, being digital or click-and-mortar. Despite the fact that each country has its own unique culture and consumer behavior patterns, being in the same geographical region, countries in southeast Asia do share some major similarities. These similarities include online consumer behaviors and online commerce transactions.

This research attempts to compile and analyze the digital commerce trends among developing southeast Asian countries in order to explore future digital trends and markets.

This paper focuses on five developing Southeast Asian countries. The reason for selecting the Southeast Asian region for the analysis is because it is one of the fastest growing regions in Asia both in terms of its economy and digital commerce. The population in southeast Asia altogether is bigger than that of the US and that of the EU.

In this research, developing countries are selected for the analysis because majority of the population in the region reside in these countries and their digital commerce behaviors are different from those in the developed ones.

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As a matter of fact, it is these developing countries that will dominate and show the future trends of digital commerce more clearly than others.

The countries that will be the focus of this research, in the order of population from the least to the most, respectively, are Malaysia, Thailand, Vietnam, the Philippines, and Indonesia. It is worth noting that there are also other countries that are not included in this research because they are still the least-developed onesPicture.

II. METHODOLOGY

This research is an exploratory and conceptual research. The main methodologies used are analyzing secondary data and conducting focus groups.

Secondary data are encoded and analyzed with the content analysis method. Several focus groups and interviews are also conducted in Thailand and the Philippines, which offer vast access to data collection.

The data from the two sources are then synthesized together and presented as conceptual frameworks or trends in the digital commerce in the southeast Asian countries.

III. DATA ANALYSIS

From the data analysis from several sources, the following trends are found:

A. The First Trend

The first trend is the exponential growth mobile telephone penetration. All of the countries in this research have achieved more than 100% of mobile penetration rate in their countries. To put it simply, for every 100 persons, there are more than 100 mobile telephones, meaning one person could on more than one mobile telephone at a time.

In Vietnam and Thailand, for example, one is witnessing the mobile telephone penetration rate of about 140-150%, respectively. All five countries have exceeded the mobile telephone penetration rate of 100% already. This trend of exponential growth of mobile telephone shows that it is possible to have high penetration rate of telecommunications service and equipment, no matter how liberal the markets are. Vietnam has not liberalized that telecommunications service market, and Thailand, even though has opened up its telecommunications market, there are only few major operators.

Therefore, it is arguable that it is the demand of the customers that mainly drives the growth of the market and that the growth of the market does not depend only on the

government policies.

This fact actually challenges the long-believed idea that the more liberal or competitive the market is, the more developed the country will become. Here, one is seeing the evidence that even in the socialist country like Vietnam, the development of the telecommunications market especially the digital commerce is growing very rapidly.

B. The Second Trend

The second trend is the rapid growth of smart phones, in particular, and, M-commerce in the region.

According to Nielsen research company, smart phones in all five countries are growing at a rapid rate, with Thailand's smart phone penetration at 47%, Vietnam at 36%, Malaysia at 35%, and Indonesia at 25% respectively.

Facebook Managing Director for the South East Asian region stated that mobile commerce is not the future for them anymore. It is the present revenue source because so many people are using smart phones and conducting mobile commerce already.

A CEO of Thailand's largest websites said that mobile is their main way to reach consumers outside Bangkok. Another CEO from Vietnam's largest e-commerce site stated that more than 40% of their revenue came from mobile channel.

Even more interestingly, smart phone users in all five countries, Malaysia, Indonesia, Thailand, the Philippines, and Vietnam, search for products and purchase them through that smart phones at their own homes the most. They do not purchase products on-the-go as some might think of mobile users' behavior.

This growth pattern shows that fixed line telephone is not the only choice of access to the Internet. The high speed that comes with modern wireless technologies in these countries are enabling the consumers to enter into the mobile commerce easier than ever.

However, one cannot totally eliminate the importance of fixed line telephone access as many of these customers access the Internet through that smart phones and Wi-Fi networks at their homes. So the growth of mobile commerce could be on any platforms, on mobile networks themselves, or through Wi-Fi networks on fixed line telephone networks.

C. The Third Trend

The third trend is the common use of social networks. In all countries, Facebook is the mostly used social network platforms.

Another type of social networks, messaging networks, such as, Line, Twitter, and Facebook Messenger, are widely used and growing at the exponential rate throughout the five countries. However, different messaging social networks gain different popularity in each country. For example, in Thailand, Line is the most popular messaging social network, while twitter is the most popular one in Indonesia and Vietnam.

It is also interesting to note that these messaging social networks are trying to be one stop shopping points for customers and are becoming more than just messaging applications.

They are trying to tie other services to their messaging service, such as, deals, promotion, and order delivery and payment.

Since messaging are usually primary activities of online users, it is easy for them to offer or cross-sell other services. LINE is one of the major players who are trying to tie all the services both B2B (Line@) and B2C (Line Pay) together.

D. The Fourth Trend

The fourth trend is the expansion of international companies into all countries. The Southeast Asian countries are so interesting for marketers as well as international companies because of its rapid growth in e-commerce.

In the B2C and C2C e-commerce market, one can see the same companies across several countries. For example, Lazada, Zalora, and Ensogo, are present in all five countries offering deals and promotions on products and services. OLX, eBay, Line, and Rakuten are also present in most countries as electronic marketplaces. Alipay is also present in most countries as an option to make payment online.

E. The Fifth Trend

The fifth trend is the consolidation of small companies, both at the level of small and medium Enterprises and at the level of large companies.

The e-commerce market is now at the inflection point and the competition will get stronger in the near future. In Thailand, one is witnessing the disappearance of small online fashion stores and hype-riding companies on the Internet. Online shop owners said they are facing tough times in keeping the number of orders, especially in the Fast Moving Consumer Goods (FMCG) and services, due to high number of competitors and price war.

In other countries, this trend of fierce competition will follow resulting in the self-selection process or the consolidation between companies in the same industry. The Internet will become just another marketing and distribution channel, and not the gold mine anymore. The next period is going to be the winner-take-all situation.

In 2015, in most countries among the five, the electronic commerce industry witnessed the consolidation and merging and acquisition of large companies.

For example, Groupon, decided to close down and withdrawn from Thailand. JD, China is second largest retail company decided to open both the off-line and online stores in Indonesia. Taobao and Alibaba, China's biggest players, are planning to get into the Southeast Asian market.

So, one can expect to see more consolidation and acquisition of small players in the near future.

F. The Sixth Trend

Electronic payment is still a problem. Consumers are still struggling with trusting the merchants and pay online.

As a result, cash-on-delivery (COD) is still dominating the electronic commerce market. Even with Paypal and Alipay available in most countries including Thailand, Malaysia, and the Philippines, except Vietnam, consumers are still reluctant to pay online and it is difficult for stores to change their

minds.

Even with more than 17 companies offering online payments in Indonesia, the online payment is still stagnant. Until the payment reluctance problem is solved, stores will still have to bear with click and collect or COD.

The major problem with SEA population is that there are less than 10% who carry credit cards and there is even less percentage when it comes to asking this small portion of credit card holders to put the information online. Even though all shops offer a variety of payment security measures, such as, Verified by Visa, Bank Payment Gateway, customers are still reluctant.

One solution could be the concept of "virtual" credit card for particular transactions with which users can specify the credit limit themselves. The use of virtual credit cards could help in lessening the worries that the consumers have when it comes to using high credit cards with high credit limit online.

Moreover, the legislation and regulations on electronic commerce and electronic payment must be in place and enforced in order to show the effectiveness and the trustworthiness of online payment.

G. The Seventh Trend

More construction or improvement of the "last-mile" networks.

If it is the wireline, providers in all five countries are being encouraged or controlled by their governments to go out into the rural area and drill down the fiber optic cables.

In the downtown or urban areas, the incentives of improving the last-mile network to the homes are clear. Fiber to the home or FTTx is the clear choice to improve customers' satisfaction.

Since most users, according to the interviews and statistics, made their purchases and conduct online activities that needs high speed support, such as, watching online entertainment, at home, FTTx is needed because there are still a lot of opportunities to do multi-tiered pricing for consumers.

Finally, Internet speed will become commodities that companies can use consumers' pull strategies on. One can expect to see the replacement of copper wire with fiber optics to deliver the higher speed to users at home.

It is worth noting that from several interviews with users, most users cannot differentiate if they are using wi-fi networks (which is basically wireline networks) or wireless networks, through their smart phones at home. They just focus on the speed that their smart phones or other peripherals can achieve in connecting to the Internet. So, the markets of the "last-mile" access are still open in all countries.

In the area of wireless, all five countries now have at least 3G-speed wireless networks. The higher speed is always welcome by consumers so the 4G-speed wireless networks will be put in place as the "last-mile" in rural, unpopulated areas as an alternative to wireline networks due to high fixed investment cost. This is especially true in countries where it is geographically impossible or costs too much to install wireline networks, such as, in the Philippines or Indonesia.

If the true speed of wireless networks is achieved in the near future, the wireless networks will become more similar to the "last-mile" wireline networks. It will bring about the issue of how to measure the development of telecommunications infrastructure in each country.

Consequently, It will be the time that the International Telecommunications Union (ITU) will have to develop a new integrative measurement of telecommunication development to be used in place of the traditional fixed line telephone service penetration.

H. The Eighth Trend

Improvement of logistics infrastructure.

Even though most of the transactions, being B2B or B2C, are conducted online, the products or services are still needed to be delivered by traditional channels. As a result, the improvement of logistics infrastructure is needed in all five countries.

In some countries including Thailand, Malaysia, the Philippines, and Indonesia, private companies are starting to provide competitive logistics services, whereas in Vietnam, the service still belongs to the Government.

The need for efficient logistics infrastructure is clear. Customers want their products fast, packaged and delivered neatly and on time. They do not care so much as to who the carriers are. In Thailand, Kerry Logistics, the new entrant in the logistics of small package delivery is making way into the market quickly as an alternative to the government (now privatized) postal services.

IV. CONCLUSION

This research attempts to explore the future trends of digital commerce in developing countries in Southeast Asia. The research utilizes secondary data and focus groups in different countries in Southeast Asia and compile and synthesize the data in order to come up with eight major trends that can be expected in the near future. The eight future trends include infrastructure, logistics, payment, consumer online behaviors, and regulatory issues. The implications of this research could be used for managers to prepare themselves for the digital market, as well as for academicians to explore further on factors that can affect these trends.

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